

REMARKS

35 USC 101

Claims 1-21 are rejected under 35 USC 101. Applicants amend independent Claims 1, 8, and 15 to recite a computer implemented method, a computer system, and a computer program product, respectively. As such, the claims now conform to the Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Eligibility published in the Official Gazette 22 November 2005. See also, In re Alappat, 33 F.3d 1526, 1545, 31 USPQ2d 1545, 1558 (Fed. Cir. 1994). Because Claims 2-7, 9-14, and 16-21 depend upon Claims 1, 8, and 15, respectively, they are similarly patentable.

35 USC 112

Claims 7-21 are rejected under 35 USC 112, second paragraph, for failing to particularly point out and distinctly claim the subject matter.

Claims 7, 14, and 21 are rejected for reciting "other volatility." Applicants have replaced "other volatility" with "firm volatility." Support for this amendment can be found, for example, at page 30, line 9.

Claims 7, 14, and 21 are rejected for reciting "said scaled beta distribution" without proper antecedent basis. Applicants amend "said scaled beta distribution" to recite "a scaled beta distribution."

Claims 8-11, 13-18, 20, and 21 are rejected for reciting 'means for' plus function language without providing a corresponding structure in the specification. For the purposes of furthering prosecution, Applicants remove all "means" language from the claims. Thus, Applicants respectfully request that the rejection be withdrawn for these claims as well as dependent Claim 19 because the issue is now moot.

35 USC 102

Claims 1-5, 8-12, and 15-19 are rejected under 35 USC 102(b) as being anticipated by Kealhofer (U.S. Patent No. 6,078,903).

Independent Claim 1 recites a method for generating a term structure of default probabilities comprising: at least one computer determining a default process by performing the steps comprising: determining a firm's default barrier distribution; determining a firm's conditional default probability over time using said default barrier distribution; determining a pricing trend function using said conditional default probability, where said pricing trend function estimates a probability of default of a firm; and said at least one computer generating said term structure of default probabilities for a firm based on said pricing trend function.

This method is directed to the use of an incomplete information credit risk model, which assumes that the default barrier cannot be determined. See, e.g.,

page 4 of the specification. Instead of using static default barrier values, the model uses a default barrier distribution, which incorporates a large set of possible values for the barrier. See, e.g., page 18 of the specification. As a result, the model creates more accurate predictions of default and reacts more quickly to changes in the market. See, e.g., page 4 of the specification.

Kealhofer discloses a credit model that analyzes portfolio data to predict the probability of default based on: (1) current market values; (2) borrower data; and (3) facility data, which characterizes the individual loan. Column 3, lines 45-62. The probability of default is measured by looking at the relationship between the value of the firm today, its liabilities, today, and its volatility. Column 5, lines 18-21. The horizon default point threshold is determined by measuring the area bound by the distribution function, the horizon date, and the horizon default point threshold. Column 6, lines 24-32.


Kealhofer assumes that the default barrier is known and uses a single fixed value to represent the barrier. As a result, Kealhofer uses a flawed complete information model because in reality, default is unpredictable. Kealhofer's model could have the unintended result of predicting that very short term bonds from the United States and an unstable corporation are equally risky. See page 12 of the specification. Claim 1, on the other hand, employs a default barrier distribution, which uses multiple values. Thus, Claim 1 cannot be anticipated by Kealhofer.

Because Claims 8 and 15 are of similar scope to Claim 1, and Claims 2-7, 9-14, and 16-21 depend upon Claims 1, 8, or 15, respectively, they are patentable for at least the same reasons.

CONCLUSION

Applicants respectfully posit that the pending claims have been distinguished from the art of record, and that all rejections of the claims have been overcome. Accordingly, Applicants respectfully request allowance of all claims. The Examiner is invited to please contact Applicants' agent at (650) 474-8400 should any questions arise.

Respectfully submitted,



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